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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2017/2018

BEN2874 – ENTREPRENEURSHIP
(Distance Education)

16 OCTOBER 2017
9.00 a.m. – 11.00 a.m.
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of 16 printed pages (excluding cover page).
2. Answer ALL questions in Section A and choose only two (2) questions in Section B.
3. All questions carry equal marks and the distribution of the marks for each question is given.
4. Please shade all your answers for section A in the Answer Sheet and write all your answers for Section B in the Answer Booklet.

SECTION A: MULTIPLE CHOICE QUESTIONS (60 MARKS)

1. Some company is daring enough to propose a breakthrough technology. In 2013, Google introduce Google Glass, with a futuristic gadget that allows the customers to use computer functions using their eyes movement. Therefore, Google can be qualified as a firm that is proactive, innovative and risk-taking. From this description, we can most accurately conclude that Google has a high level of _____.
 - A. enterprise focus
 - B. innovative intensity
 - C. entrepreneurial intensity
 - D. creative intensity
2. It is suggested that the people can be motivated to choose entrepreneurship as their career path. The three primary reasons that people become entrepreneurs and start their own firms are to _____.
 - A. gain prestige, realize financial rewards, and eliminate risk in their lives
 - B. do what they were "born" to do, be their own boss, and gain prestige
 - C. take big risks, be their own boss, and do what they were "born" to do
 - D. be their own boss, pursue their own ideas, and realize financial rewards
3. Although many behaviors have been linked to entrepreneurs. Several are common to those who are successful. It is found that the number one characteristic shared by many of the successful entrepreneurs is _____. It stems from the entrepreneur's belief that the business will positively influence people's lives.
 - A. a desire to achieve financial rewards
 - B. a passion for the business
 - C. a desire to employ other people
 - D. a desire to fulfill a lifetime dream
4. There are three common types of startup firms: _____.
 - A. lifestyle firms, general firms, and entrepreneurial firms
 - B. standard-of-living firms, statutory firms, and general firms
 - C. entrepreneurial firms, standard-of-living firms, and statutory firms
 - D. lifestyle firms, salary-substitute firms, and entrepreneurial firms

Continued...

5. An opportunity has the following four essential qualities _____.

- A. attractive; timely; durable; and anchored in a product, service, or business that creates or adds value for its buyer or end user
- B. practical; opportune; appropriate; and anchored in a product, service, or business that is efficient and effective
- C. realistic; striking; timely; and anchored in a product, service, or business that is timely
- D. attention-getting; attractive; timely; and anchored in a product, service, or business that creates or adds value for its buyer or end user

6. Which of the following is CORRECT regarding opportunities and ideas?

- A. An opportunity and an idea are essentially the same things.
- B. An idea almost always meets the criteria of an opportunity.
- C. An idea is a favorable set of circumstances that creates a need for a new product, service, or business.
- D. It's important to discern whether a particular idea meets the criteria for an opportunity.

7. The three ways to identify an opportunity include _____.

- A. observing trends, solving a problem, and finding gaps in the marketplace
- B. studying industry trade journals, talking to consumers, and solving a problem
- C. observing trends, conducting brainstorming sessions, and studying industry trade journals
- D. observing trends, talking to consumers, and finding gaps in the marketplace

8. The increasing number of social networks on the Internet is attributed to a jump in the number of people who are wanting to connect with one another online. The increasing number of social networks is an important _____ trend.

- A. political
- B. economic
- C. legal
- D. social

Continued...

9. _____ is the process of determining whether a business idea is viable.

- A. Feasibility analysis
- B. Opportunity recognition
- C. Viability analysis
- D. Scenario analysis

10. The two components of product/service feasibility analysis are _____ and _____.

- A. product/service value; product/service affordability
- B. product/service demand; product/service timeliness
- C. product/service durability; product/service value
- D. product/service desirability; product/service demand

11. Which of the following items is typically not included in a concept statement?

- A. A brief description of the company's management team
- B. A description of how the product or service will be sold and distributed
- C. A description of how much money the new venture needs
- D. The benefits of the product or service

12. Which of the following issues should be considered in industry/target market feasibility analysis?

- A. Gaps in the marketplace
- B. Financial performance of similar businesses
- C. Resource sufficiency
- D. Industry attractiveness

13. In regard to business models, which of the following statements is incorrect?

- A. There is a standard business model that most firms follow.
- B. A firm's business model is inherently dependent on the collection of resources it controls and the capabilities it possesses.
- C. It is dangerous for a company to assume that it can be successful by simply copying the business model of another firm.
- D. A firm's business model is its plan or diagram for how it competes.

Continued...

14. _____ business models depict existing plans or recipes firms can use to determine how they will create, deliver, and capture value for their stakeholders.

- A. Revolutionary
- B. Customary
- C. Disruptive
- D. Standard

15. _____ business models are ones that do not fit the profile of standard business models, and are impactful enough that they disrupt or change the way business is conducted in an industry or an important niche within an industry.

- A. Disruptive
- B. Normal
- C. Unique
- D. Incomparable

16. Yanty Sabreena is crafting the business model for her muslimah fashion design firm. She just completed the section that describes how her firm plans to compete relative to her rivals. Yanty just completed the _____ portion of her business model template.

- A. operations
- B. core strategy
- C. strategic plan
- D. tactical strategy

17. Once a firm decides to enter an industry and chooses a market in which to compete, it must gain an understanding of its competitive environment. This challenge can be undertaken by completing a(n) _____ analysis.

- A. business
- B. industry
- C. competitor
- D. market

Continued...

18. Industries that sell products to seniors, such as the eyeglass industry and the hearing aid industry, are benefiting from the aging of the population, which is an important _____ trend.

A. environmental
B. business
C. commerce
D. statutory

19. In general, industries are more attractive when the _____.
A. the majority of the threats are high
B. the majority of the threats are low
C. the threat of each of the five forces is high
D. the threat of each of the five forces is low

20. Which of Porter's five forces is most closely associated with the concept "barrier to entry"?

A. Bargaining power of suppliers
B. Rivalry among existing firms
C. Threat of new entrants
D. Bargaining power of buyers

21. A business plan is important as it forces the founding team to systematically think through every aspect of their new venture and _____.
A. it is a budget
B. it is a public relations document that can be used to promote the firm
C. it is a financial analysis
D. it communicates the merits of a new venture to outsiders, such as investors and bankers

Continued...

22. The document that does the best job of introducing potential investors and other stakeholders with the business opportunity the firm is pursuing and how it plans to pursue it is the _____.

- A. business plan
- B. feasibility analysis
- C. opportunity analysis
- D. industry analysis

23. To make the best impression, a business plan should follow a _____.

- A. A conventional structure for companies with standard business models and a nonconventional structure for firms with disruptive business models
- B. A conventional structure for manufacturing firms and a nonconventional structure for service firms
- C. A conventional structure
- D. A nonconventional structure

24. The three types of business plans are _____.

- A. functional business plan, full business plan, feasibility plan
- B. functional business plan, contingency plan, full business plan
- C. opportunity plan, feasibility plan, full business plan
- D. summary business plan, full business plan, operational business plan

25. Which of the following is the most important thing that an entrepreneur, or team of entrepreneurs, can do to build a strong ethical culture in their organization?

- A. Implement an ethics training program
- B. Write a mission statement
- C. Lead by example
- D. Write a code of conduct

26. A situation that involves doing something that is beneficial to oneself or the organization, but may be unethical, is called a(n) _____.

- A. ethical quandary
- B. ethical predicament
- C. ethical dilemma
- D. principled quandary

Continued...

27. A(n) _____ agreement binds an employee or another party to not disclose a company's trade secret. A _____ agreement prevents an individual from competing against a former employer for a specific period of time.

A. nondisclosure; noncompete
B. non breach-of-trust; nonchallenge
C. voluntary truth; nonparticipate
D. binding confidentiality; noncompete

28. All of the following are advantages of a sole proprietorship except _____.

A. creating one is easy and inexpensive
B. unlimited liability
C. the owner maintains complete control of the business
D. business losses can be deducted against the sole proprietor's other sources of income

29. Financial management deals with two things-managing a company's finances and _____.

A. operations management
B. inventory control
C. raising money
D. production management
E. supply chain management

30. Match the financial objective with its correct definition.

A. stability — the overall health of the financial structure of the firm, particularly as it relates to its debt-to-equity ratio
B. profitability — how productively a firm utilizes its assets
C. liquidity — a company's ability to make a profit
D. efficiency — a company's ability to meet its short-term obligations

31. Money owed to a company by its customers is referred to as _____.

A. accounts obtainable
B. accounts payable
C. accounts receivable
D. accounts collectable

Continued...

32. A financial statement is a(n) _____.

- A. set of ratios which depict relationships between a firm's financial items
- B. estimate of a firm's future income and expenses
- C. itemized forecast of a company's income, expenses, and capital needs
- D. written report that quantitatively describes a firm's financial health

33. The high failure rate among new ventures is due, in part, to the liability of newness, which refers to the fact that new companies often falter because of _____.

- A. they are underfunded and the founders of the firms don't move quickly enough to put together boards of directors and boards of advisors that can provide them direction and advice
- B. the people who start the firms can't adjust quickly enough to their new roles and the firms lack a "track record" with outside buyers and sellers
- C. the people who start the firms can't adjust quickly enough to their new roles and they are underfunded
- D. the founders of the firms underestimate the complexities involved with starting a new business and they don't move quickly enough to establish business partnerships

34. The members of homogeneous teams are _____ in terms of their _____.

- A. diverse; abilities and experiences
- B. diverse; abilities, but very similar in terms of their experiences
- C. similar; abilities and experiences
- D. diverse; experiences, but very similar in terms of their abilities

35. Different people may possess different technical specialty to be successful in their own field. The same can be said about entrepreneurship, it is suggested that prior entrepreneurial experience _____.

- A. is one of the poorest predictors of future entrepreneurial performance
- B. is one of the most consistent predictors of future entrepreneurial performance for entrepreneurs under 50 years of age, but not for entrepreneurs over 50 years of age
- C. is one of the most consistent predictors of future entrepreneurial performance
- D. is one of the most consistent predictors of future entrepreneurial performance in service firms, but not in manufacturing firms

Continued...

36. The process of building and maintaining relationships with people whose interests are similar or whose relationship could bring advantages to the firm is called _____.

- A. linking
- B. socializing
- C. networking
- D. associating

37. Many entrepreneurs go about the task of raising capital haphazardly because they _____.

- A. are uncomfortable talking about money and they haven't written a business plan
- B. lack experience in this area and because they don't know much about their choices
- C. are focused on the nuts and bolts of starting their business
- D. haven't completed a feasibility analysis or business plan
- E. are intimidated by the process and they are unsure of how much money they need

38. The three primary reasons startups need funding are _____.

- A. cash flow challenges, capital investments, and lengthy product development cycles
- B. business research, cash flow challenges, and costs associated with building a brand
- C. bonuses for members of the new venture team, attorney fees, and lengthy product development cycles
- D. attorney fees, capital investments, and marketing research

39. Parker Peter owns a specialized computer software company. Although Parker's software designers and programmers are very good, it takes 2-3 years to develop a good software product. This example illustrates the need for funding or financing referred to as _____.

- A. personnel costs
- B. marketing costs
- C. costs associated with building a brand
- D. lengthy product development cycles

Continued...

40. A brief, carefully constructed statement that outlines the merits of a business opportunity is called a(n) _____ speech.

A) subway
B) bootstrap
C) teaser
D) elevator

41. Once a firm has segmented the market, the next step is to _____.
A. decide on a position within the segment
B. settle on pricing
C. select a target market
D. establish the company's brand

42. Which of the following selections is incorrect regarding a firm's "positioning" strategy?
A. A firm's decision about how to position itself relative to its competitors starts with a product or service idea that is tested and refined through feasibility analysis and marketing research.
B. Determining which position in a market to occupy and compete in is a strategic call on the part of a company based on its mission, its overall approach to the marketplace, and its competitive landscape.
C. Once a firm positions itself in a certain way, it must be able to follow through with a product or service offering that lives up to the image it has created.
D. After selecting a positioning strategy, the firm's next step is to select a target market.

43. A product attribute map is used to help a firm determine if _____.
A. it is emphasizing benefits rather than features
B. its branding strategy is appropriate
C. its market segmentation is correct
D. its positioning strategy is appropriate

Continued...

44. Nike's familiar phrase "Just do it" is an example of a(n) _____.

- A. attention-line
- B. tagline
- C. notice-line
- D. catchline

45. Which of the following is not an example of intellectual property?

- A. Apple's trademark
- B. Internet domain name www.dripcatch.com
- C. Microsoft's Windows operating system
- D. A computer monitor

46. There are two primary rules of thumb for deciding if intellectual property protection should be pursued for a particular intellectual asset. First, a firm should determine if the intellectual property has value in the marketplace. Second, a firm should determine if its intellectual property _____.

- A. is directly related to its competitive advantage
- B. could be licensed to another company
- C. is more than three years old
- D. is something that was developed "in-house"

47. Which of the following selections correctly identifies the three types of patents?

- A. Manufacturing; process; plant
- B. Usefulness; purpose; genetic
- C. Utility; design; plant
- D. Manufacturing; service; other

48. A _____ is any word, name, symbol, or device used to identify the source of origin of products or services and to distinguish those products or services from others.

- A. copyright
- B. trademark
- C. license
- D. patent

Continued...

49. Jeremy Westbrook owns an organic food company which has increased both its profits and revenues over an extended period of time. Jeremy's firm is experiencing _____ growth.

A. persistent
B. unremitting
C. sustained
D. moderate

50. In regard to firm growth, evidence shows that _____.

A. relatively few firms generate sustained growth
B. the majority of firms generate sustained growth
C. manufacturing firms tend to generate sustained growth while service firms do not
D. service firms tend to generate sustained growth while manufacturing firms do not

51. A firm's pace of growth is the rate it is growing _____.

A. compared to industry norms
B. compared to a national index of all firms
C. on an annual basis
D. compared to its closest competitor

52. Which of the following is not an appropriate reason for firm growth?

A. Increasing the compensation of the top managers of the firm
B. Ability to attract and retain talented employees
C. Need to accommodate the growth of key customers
D. Market leadership
E. Economies of scale

53. New product development, other product-related strategies, and international expansion are examples of _____ growth strategies.

A. external
B. domestic
C. primary
D. internal

Continued...

54. Internally generated growth is often called organic growth because it does not rely on _____.

- A. outside intervention
- B. its own skills and capabilities
- C. external funding
- D. internal design expertise

55. Which of the following is an example of an external growth strategy?

- A. Improving an existing product or service
- B. Increasing the market penetration of an existing product or service
- C. Extending product lines
- D. Strategic alliances

56. A _____ strategy seeks to increase the sales of a product or service through greater marketing efforts or through increased production capacity and efficiency.

- A. product line extension
- B. product line widening
- C. market penetration
- D. market expansion

57. _____ is a form of business ownership in which a firm that already has a successful product or service licenses its trademark and method of doing business to other business in exchange for an initial franchise fee and an ongoing royalty.

- A. Licensing
- B. Joint Venturing
- C. Contracting
- D. Franchising

Continued...

58. The two distinctly different types of franchise systems are _____ franchise and _____ franchise.

- A. product trademark; business arrangement
- B. business design; product improvement
- C. product extension; business design
- D. product trademark; business format

59. A(n) _____ franchise agreement involves the sale of a single franchise for a specific location.

- A. individual
- B. one-of-a-kind
- C. defined
- D. general

60. Franchising is appropriate when a _____.

- A. firm's business methods are not polished, it has a desire to grow, and it is trying to commercialize a technology product
- B. firm has a strong trademark, a desire to grow, and a well-designed business method
- C. firm is trying to commercialize a technology product, it is well-funded, and it has a desire to grow
- D. firm has a desire to grow, it has a well-designed business method, and it is well funded

SECTION B: STRUCTURED QUESTIONS (40 Marks)

There are THREE (3) questions in this section. Candidates MUST answer ANY TWO (2) questions.

Question 1

a) Describe the difference between an idea and an opportunity. Why is the distinction important? (8 marks)

Continued...

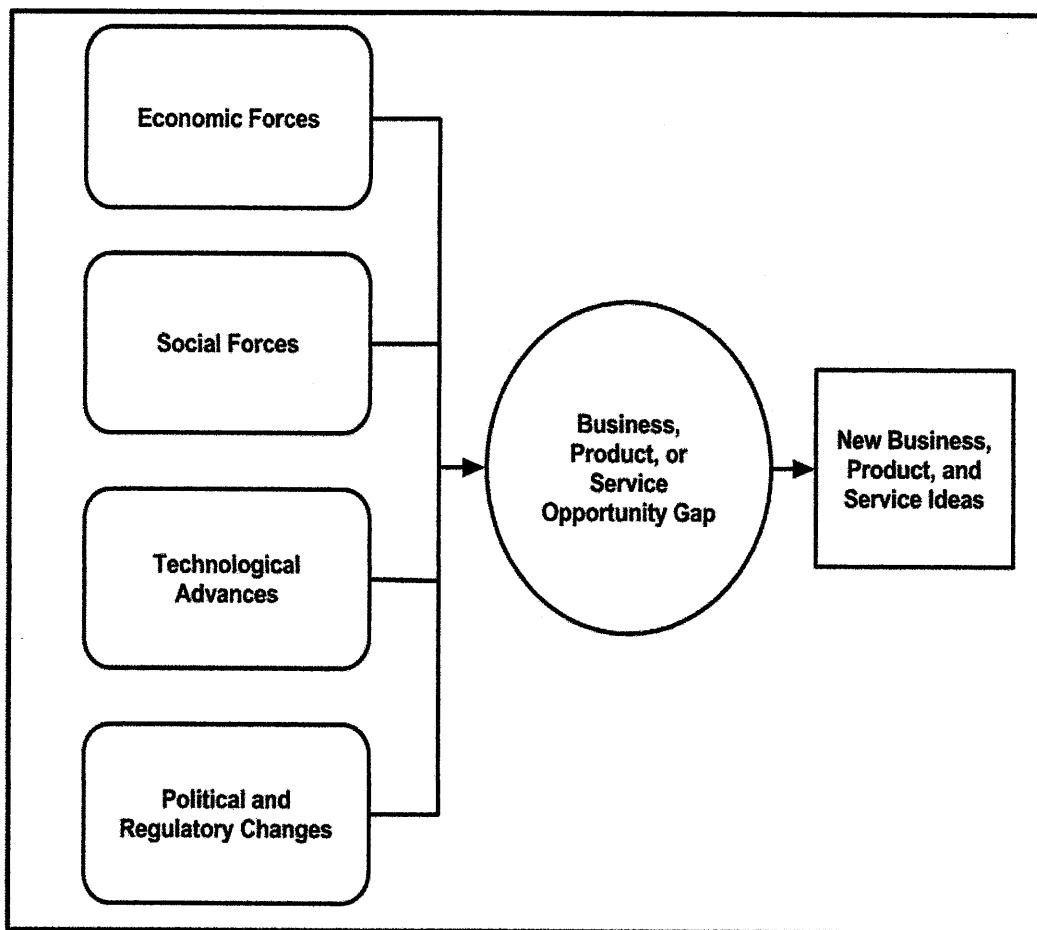


Figure 1-1
Environmental Trends Suggesting Business or Product Opportunity Gaps

b) Based on Figure 1-1, there are different environmental trends that provide an opening for new business and product opportunities. By choosing two of the above trends, provide examples of the new business, product and service opportunities together with the companies that resulted from such changes.

(12 marks)

Continued...

Question 2

- a) Describe the purpose of feasibility analysis. When should a feasibility analysis be conducted relative to opportunity recognition and the development of a business plan? (5 marks)
- b) Describe the difference between historical and *pro forma* financial statements. (5 marks)
- c) Define what is "liability of newness" and suggest several ways that a new venture can overcome this handicap. (10 marks)

Question 3

- a) What is industry analysis? Why is it important for a new venture to complete a thorough analysis of the industry it is entering? (5 marks)
- b) What is intellectual property? Why is it known as "intellectual" property? Why is an intellectual property an important issue for entrepreneurial firms? (15 marks)

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